THE 1989 MONEY GUIDE

JUNE 26, 1989 THREE DOLLARS SEVENTY-FIVE CENTS

Forbes

WHERE TO PUT YOUR MONEY FOR THE 1990s

Are stocks getting into dangerous territory?

Can bonds beat inflation?

Where to find over-the-counter bargains

Using computers in investing

Investing overseas

Tax strategies

Junk bonds

Collectibles

5-DIGIT 20814
T29103T8 001SZ ZZ 0043
STATISTIC REF INDEX
CONGRESSIONAL INFO SER
4520 EASTWEST HWY
BETHESDA MD 20814

0 439335 1

THE FORBES MONEY GUIDE

JUNE 26, 1989
VOLUME 143
NUMBER 13

The 1989 Money Guide begins on the table of contents on pages 176-177. Among its features:

178 **Are stocks getting into dangerous territory?**

180 **Can bonds beat inflation?**

214 **Where to find over-the-counter bargains.**

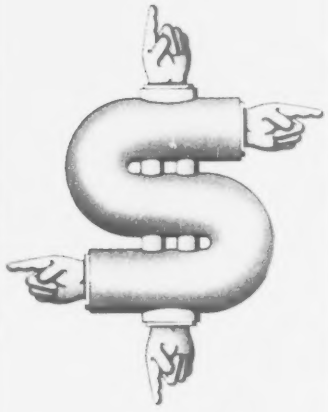
248 **Using computers in investing.**

194 **Investing overseas.**

238 **Tax strategies.**

244 **Junk bonds.**

270 **Collectibles.**



Cover illustration by Andrew Christie

53 *Who gets the parts business?*

THE EDITORIAL INDEX OF COMPANIES REFERRED TO IN THIS ISSUE IS ON PAGES 6 AND 7.

COMPANIES

40 Sahlen & Associates
By Kerry Hannon
Harold Sahlen, private eye, cut some corners.

44 Hawaiian Airlines
By Marc Beauchamp
For sale: state's largest carrier, first-rate routes, second-rate management.

45 Fibermedia
By George Gilder
How a federal judge handed the Japanese a victory in big-screen TV.

80 The Up & Comers: Neutrogena
By John Heins
Why is Wall Street punishing this growth stock?

88 The Up & Comers: Dixon Ticonderoga
By Fleming Meeks
How a bartender progressed to pencil magnate.

100 AVX
By Alyssa A. Lappen
Might the capacitor business have a little too much capacity?

107 Service Merchandise
By Stuart Flack
It's being leveraged to the eyeballs. And shareholders love it.

108 Jefferson Smurfit
By Paul Klebnikov
Wood pulp is expensive; wastepaper is cheap. Smurfit likes it that way.

118 The IBM/Sears Prodigy Network
By Subrata N. Chakravarty and Evan McGlinn
A talk with Sears' Brennan and IBM's Akers.

133 TCBY Enterprises
By Eric Schmuckler
The yogurt is low-fat, but the stock price could give you a heart attack.

INDUSTRIES

53 Auto Parts
By Norm Alster
Japanese companies are winning a bigger market share. Fair play?

GOVERNMENT

41 Straight Talk About AIDS
By Joe Queenan
Is the AIDS epidemic spreading? The answers to the question are as much political as medical.

42 Funny Business At The FDA
By Janet Novack
Something peculiar was going on at the Food & Drug Administration. Mylan Labs found out.

48 Mileage Standards
By Jerry Flint
How federal law hands a competitive advantage to the Japanese.

62 Where Disinvestment Pinches
By James Cook
With some of the world's highest-cost gold mines, South Africa is suffering.

62 *Gold costs*

88 *Pencils*

156 *140 mph*

73 Vocational Training
By Steve Weiner and Charles Siler
What's one of the best incentives a state can offer? Skilled workers.

106 Make Mine Metric
By Diana Fong
When will the U.S. go metric? It already has, in good part.

INVESTING

103 Centennial Group
By Ralph King Jr.
A pair of real estate syndicators have left investors rather unhappy.

284 Streetwalker
Consumer spending trends; Caterpillar; Mellon Bank; Baroid Corp.

TAXING MATTERS

98 A Neat Loss Carryforward Trick
By Tatiana Pouschine
Lawyers find new loopholes as fast as Congress closes old ones.

ON THE DOCKET

136 Law Shorts
By Deirdre Fanning
Trafficking in airline mileage credits; lawyers on TV; propeller accidents.

COMPUTERS/COMMUNICATIONS

138 Quantum Leap
By George Gilder
Joseph Lindmayer tries to get his optical disk taken seriously.

142 Nice Guys Finish Last
By Kathleen K. Wiegner
Did a nurturing workplace make Tektronix too complacent?

SCIENCE & TECHNOLOGY

144 Powder Play
By Paul Klebnikov
As plastic composites threaten, steelmakers turn to powder.

MARKETING

148 Car Retailing
By Marc Beauchamp
Longo Toyota got to be the U.S.' biggest auto dealer by treating the customer well.

150 Du Pont Mail Order?
By Steve Weiner
Du Pont's and Deere's curious new catalogs.

PERSONAL AFFAIRS

156 Classy Coupes
By Jerry Flint
True luxury means looks, speed and attention-getting power. Also: Having yourself bronzed; Shooting with the Lakers.

CAREERS

166 Campus Recruiters
By Dyan Machan
College seniors may be reading their 10-Ks, not their brochures.

DEPARTMENTS

8 Side Lines
10 Follow-Through
12 The Informer
16 Readers Say
19 Fact and Comment
24 Other Comments
27 Fact and Comment II
31 Commentary
287 Flashbacks
288 Thoughts

COLUMNISTS

70 Michael Novak
216 Mark Hulbert
277 Ben Weberman
278 Kenneth L. Fisher
280 Ashby Bladen

MONEY & INVESTMENTS

35 What's Ahead For Business
36 The Forbes Index
273 The Forbes/Wilshire 5000 Review

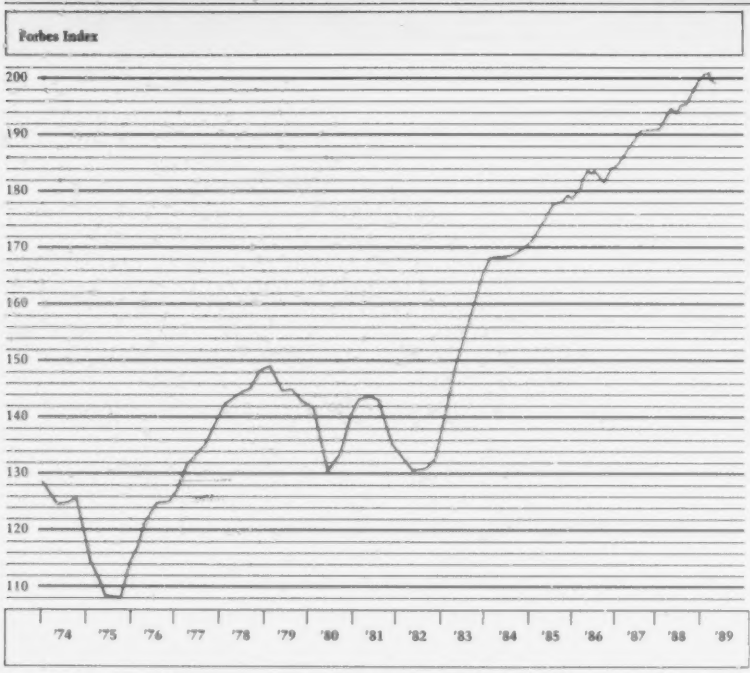
FACES BEHIND THE FIGURES

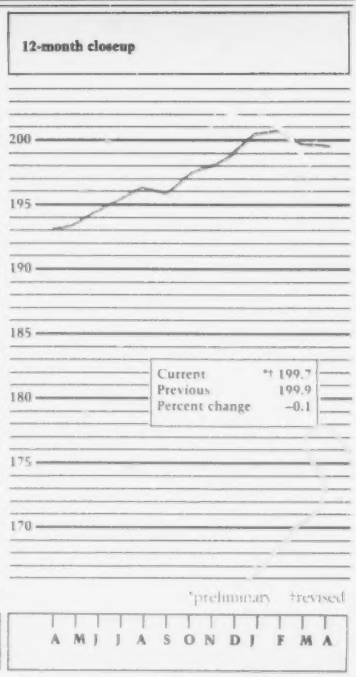
168 Arthur Temple
Temple-Inland
168 Meyer Blinder
Blinder, Robinson
168 Heather Gradison
Interstate Commerce Commission
171 George Wein
Jazz impresario

June 26, 1989 Volume 143 Number 13 Forbes (ISSN 0015 6914) is published biweekly except weekly during two weeks in October, by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Canadian second-class postage paid, permit number 9490. Subscription $48 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011.

Copyright © 1989 Forbes Inc. Title is protected through a trademark registration in the U.S. Patent Office.

The Forbes Index



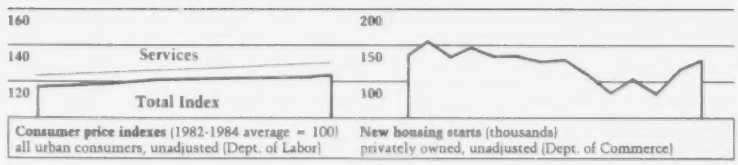


Fears of a recession seem premature. The Forbes Index finished March with a 0.4% decline, and it now turns out the economy grew more slowly in the first quarter than originally estimated. The revised first-quarter gross national product shows annual growth at 4.3% rather than the 5.5% reported earlier. Other data, however, point to an improving business climate. Following two monthly declines, the index of leading indicators rose 0.8% in April. Manufacturers' new orders increased 3%, to $129.2 billion, the second-highest total on record, while inventories rose for the 22nd consecutive month. Personal income climbed 0.6%, to $2.6 trillion.

The Forbes Index Components

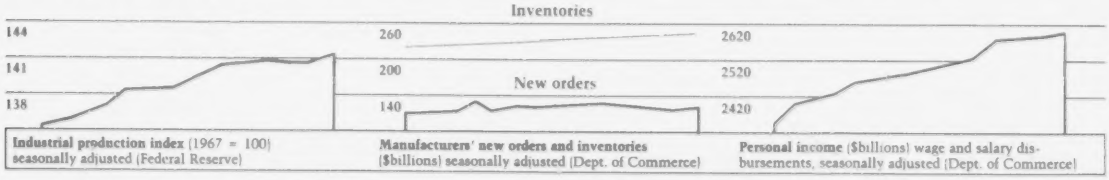
The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.



Consumer price indexes (1982-1984 average = 100) all urban consumers, unadjusted (Dept. of Labor)

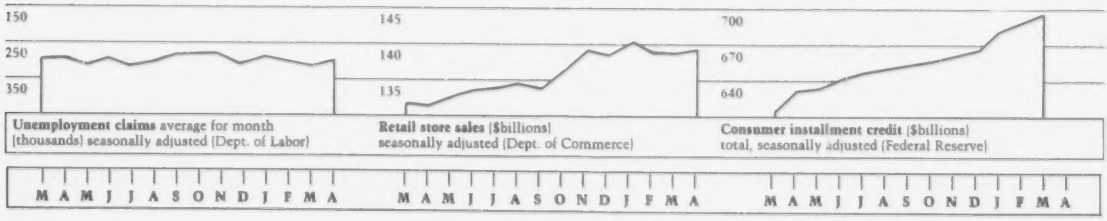
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)



Industrial production index (1967 = 100) seasonally adjusted (Federal Reserve)

Manufacturers' new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)

Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)



Unemployment claims average for month (thousands) seasonally adjusted (Dept. of Labor)

Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)

Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

As a group, new stock issues are lousy investments. Why do people keep buying them? Because a few pay off big. Here are some tips for improving the odds.

Survival of the few

Patrick McDonnell

By Charles M. Bartlett Jr.

THE NEW ISSUES MARKET is heating up again, with a spate of offerings in May and gushing prices for a few stocks that came out earlier this year. Several prominent publications have heralded the revival of the dormant new issues market.

We have a more subdued story to tell, with an unhappy ending. It's the story of how well new issues do over the long pull. They fare terribly.

Only half the initial public offerings since the beginning of 1979 now sell for more than their offer price. Only a third beat the Standard & Poor's 500 stock average. This is a pathetic showing when you remember that these issues are much riskier than the blue chips that dominate the S&P 500. Also, our numbers exclude dividends, which are much higher on established companies.

Why do people buy new issues? It is one of the great mysteries of the supposedly efficient market. If investors were rational, they would be much choosier and underwriters would have to cut prices. By how much?

We reviewed the performance of 2,181 companies that raised $5 million or more at a minimum of $5 a share in initial offerings between Jan. 1, 1979 and May 12, 1989. For each we compared the current value of $100 invested in the issue with the current value of a $100 investment made on the same date in the S&P 500. The bottom line is an average performance, relative to the S&P, of –14.8%. In other words, if underwriters had cut new issue prices by 15%, the buy-

The best and worst new issue underwriters

Brokers are ranked by the performance of new stock issues since 1979 that raised at least $5 million and were priced at $5 or more.

Rank	Underwriter	Number of issues	% of issues that went up	% of issues that beat the market	Average performance rel to market[1] actual	Average performance rel to market[1] market
	Best					
1	William Blair	40	63%	46%	111.3%	26.2%
2	Piper Jaffray Hopwood	27	61	43	78.6	22.1
3	JC Bradford	19	53	47	73.4	13.3
4	Morgan Stanley	65	72	50	56.2	9.5
5	First Boston	63	62	49	49.0	8.6
6	Bear, Stearns	74	47	40	64.0	6.2
7	Oppenheimer	17	59	47	38.0	6.0
8	Goldman, Sachs	95	63	49	44.2	5.3
	Worst					
1	DH Blair	15	20	7	–60.4	–74.8
2	Rotan Mosle[2]	22	23	9	–46.6	–61.0
3	Bateman Eichler[3]	21	33	10	–25.4	–56.5
4	Rooney Pace[4]	15	27	20	–15.5	–53.7
5	Boettcher[3]	21	24	19	–27.6	–47.5
6	Ladenburg Thalman	30	33	23	–7.5	–42.1
7	Rauscher Pierce Refsnes[5]	19	32	16	–23.5	–41.6
8	Montgomery Securities	54	35	25	–4.7	–35.9

[1]The percentage by which the ending value of $100 invested in the stock exceeds the ending value of $100 invested in the market. [2]Subsidiary of PaineWebber. [3]Subsidiaries of Kemper Financial. [4]Now bankrupt. [5]Subsidiary of Inter-Regional Financial Group.

Most bankruptcies

Fortunately, half these underwriters are themselves kaput.

Rank	Underwriter	Number of issues[1]	% bankrupt
1	Muller[2]	43	23.3%
2	J Muir[2]	34	14.7
3	Moseley Sec[2]	41	12.2
4	Rooney Pace[2]	59	11.9
5	Paulson Invest	43	11.6
6	Montgomery Sec	56	10.7
7	Ladenburg	48	10.4
8	DH Blair	149	8.7

[1]Initial offering price was at least $1. [2]Now bankrupt.

ers could have tied the market. (All performance numbers are adjusted for stock splits, and in cases of acquisitions the proceeds were assumed to be reinvested in the S&P.)

Why do people keep buying? One reason is that brokerage firms push new issues heavily. They earn underwriting commissions averaging 6.6% for moving this merchandise, against only 1% to 2% for taking your order for Ford Motor. Another reason may be that investors are prone to wistful thinking. They remember vividly the spectacular results of a few initial offerings—the Liz Claibornes and Home Depots *(see table below)*. The many losers are less memorable. They don't get mentioned by industry analysts. They never show up in the *Value Line* charts. The bankrupts vanish from view.

If you do invest in new issues, inject some rationality into the process and you might actually beat the market:

- Stay away from low-priced stocks. The 1,121 stocks in our database that came public at less than $5 show an average relative performance of –50.6%.
- Don't pay an outlandish multiple of earnings or book value. Ford is going for 4 times last 12 months' earnings and 1.1 times book value. Why not buy Ford instead? You should, of course, pay more for a growth stock, but you should be reluctant to extrapolate two years of earnings into a growth trend.
- Don't invest in anything you don't understand. If the company's product sounds like some high-tech fantasy, it probably is.
- Check to see how much money the company's current owners stand to pull out of the offering. Antonovich, the heavily advertised furrier, came public two years ago at 9¾; of the $7.2 million raised, brothers Daniel and David Antonovich took out $1.2 million each. Recent bid: ⅞.
- Beware of deals where the underwriting fees take more than 10% of the issue's proceeds.
- Be patient. Often, after an initial period of excitement, a new company gets cheap. Genentech climbed to a split-adjusted $14.67 during its first trading day in 1980; a year later the same stock was available for $4.33.
- Don't be a sucker for promising products with redeeming social value. If an electric car or cure for AIDS is going to arrive, it will probably come from a giant company that can afford the development cost, not from a startup. ■

The biggest underwriters

Bigger doesn't necessarily mean better. Only Goldman appears both here and on the list of top brokers for performance of their new issues.

Rank	Underwriter	Number of issues	% of issues that went up	% of issues that beat the market	Average performance actual	Average performance rel to market[1]
1	**Shearson Lehman Hutton**	137	54%	43%	41.6%	–0.2%
	EF Hutton	111	53	35	49.7	–6.7
	Robinson-Humphrey	54	48	30	30.6	–14.5
	Lehman Bros Kuhn Loeb	36	56	28	104.7	–1.3
	Foster Marshall-Amer Exp	2	50	50	97.9	–8.9
2	**Merrill Lynch**	199	55	37	48.7	–1.2
	Becker Paribas	28	57	25	61.7	–15.7
	Warburg Paribas Becker	6	50	0	–1.9	–60.3
3	**Alex Brown & Sons**	165	49	36	32.9	–7.4
4	**Drexel Burnham Lambert**	151	51	32	19.3	–11.0
5	**PaineWebber**	99	55	36	47.2	–1.3
	Rotan Mosle	22	23	9	–46.6	–61.0
6	**LF Rothschild[2]**	108	46	27	46.7	–18.6
7	**Hambrecht & Quist**	108	40	19	12.7	–33.6
8	**Goldman, Sachs**	95	63	49	44.2	5.3

[1] The percentage by which the ending value of $100 invested in the stock exceeds the ending value of $100 invested in the market. [2] Subsidiary of Franklin Financial.

The top-performing new issues

Here are eight poor reasons to buy a new issue. For while investors drool at the prospect of another Liz Claiborne, the truth is only a third of the new issues since 1979 have beaten the market. Below, the rare exceptions.

Company	Business	Offer price[1]	Price	Offer value ($mil)	Offer date	% gain actual	% gain relative to market[2]	Underwriter
Liz Claiborne	women's apparel	¾	22½	$21.9	6/9/81	2741%	1095%	Merrill Lynch
Home Depot	home improvement	1⅝	39⅞	7.2	9/22/81	2392	827	Bear, Stearns
King World Productions	film distribution	1⅝	26⅛	12.5	12/5/84	1482	717	PaineWebber
Adobe Systems	computer software	2¼	26¼	5.5	8/13/86	873	662	Hambrecht & Quist
Huntingdon International	research	3	39⅜	60.0	6/14/83	1213	592	Merrill Lynch
Safety-Kleen	cleaning equipment	1⅜	32	10.7	4/3/79	1863	541	Loeb Rhoads[3]/Wm Blair
Autodesk	computer software	3⅝	36½	15.4	6/28/85	895	508	LF Rothschild[4]
LA Gear	footwear manufacturer	5¾	42⅜	19.0	7/1/86	637	492	Sutro[5]

[1] Per common share, adjusted for splits. [2] The percentage by which the ending value of $100 invested in the stock exceeds the ending value of $100 invested in the market. [3] Acquired by Shearson Lehman. [4] Subsidiary of Franklin Financial. [5] Subsidiary of John Hancock.

Sources: Security Data Co.; Wilshire Associates.

Timber is a pretty good inflation hedge, if you buy it right. Here are some ways to tell good timber from the rotten kind.

The tree option

By John R. Hayes

WHERE ARE ALL the inflation hedges? Oil has behaved badly for most of the past decade. Gold is half the price it once was. Real estate lost most of its tax breaks.

There's another option: timberland. Timber investors get a long-term inflation hedge, dividends as trees are cut, and historical returns that compete with equities.

Risks are considerable: spotted owls, whose presence can interdict harvesting in certain old stands, a rising dollar, campfires, low housing starts, the southern pine beetle and a cyclical paper market. And then there is the rakeoff problem. Your middleman rakes off all the profits for himself.

The $20 million Hutton Southern Timber Partners I, for example, came out in 1982. Partners I has lost money six years out of seven, and so far the limited partners have received only $96 on each $500 unit. In the secondary market today, units go unanswered at $100, asked. On the other hand, Hutton (now Shearson Lehman Hutton) has earned $3.9 million in fees and distributions. "This partnership was not set up to benefit the limited partners," says Henry Swan, president of Wagner Woodlands, a timberland investment company in Lyme, N.H. "It was set up to benefit the general partner."

Although public partnerships as a rule offer terrible terms, other options are attractive. For most small investors the best is buying shares in a publicly traded company that owns a lot of timberland.

Underlying those shares is good economics. Studies by John Hancock's Timber Resource Group—which now manages 670,000 acres for pension funds—show real, compound timber returns of 5.4% annually since 1960, slightly outpacing common stocks. Hancock also says timber is countercyclical to bonds and equities, and therefore a good addition to a diversified portfolio. Unlike gold and silver—more traditional inflation hedges—timber grows in size as well as value. And unlike most agricultural commodities, timber needn't be sold at a loss if this year's price is too low; it can be stored on the stump.

Be warned that timberland investments are notoriously difficult to measure historically, and some academics disagree with Hancock's conclusions. But here is one undisputedly bullish fact: While office buildings and condominiums are getting more numerous, the world is losing timberland.

The shareowner in a forest product company is, of course, betting not only that the trees will hold their value but also that the value will be realized somehow. James Goldsmith and Charles Hurwitz used undervalued timber to conquer and divide lumber and paper companies this decade. Today, with forest product companies selling at only 7.7 times earnings and demand from Asia pushing Pacific Northwest timber to over $400 per thousand board feet, one could argue the industry is more vulnerable than ever. (The price was only $125 when Goldsmith won Crown Zellerbach in 1985.)

If you want trees, look at prices carefully

Timberland values vary by geography, tree quality and ease of harvesting, but these numbers give a rough idea how much tree an investor gets.

Security	1988 revenues ($mil)	Per $10,000 invested: 1988 dividend	book value of other assets[1]	acres owned or controlled	price per acre[2]
Rayonier Timberlands, L.P. (class A)	$91	$1,308	$–302	1.2	$8,585
Pope & Talbot	515	209	5,177	1.3	3,710
IP Timberlands L.P. (class A)	206	1,295	1,144	2.6	3,406
Hutton Southern Timber Ptrs I[3]	1	0	–500	6.0	1,750
Hutton Southern Timber Ptrs II[3]	3	0	537	7.3	1,296
Pope Resources L.P.	18	414	2,059	18.5	430
Louisiana Pacific	1,799	260	4,672	16.0	333
Plum Creek Timber Co. L.P.	NA	NA	–5,067	48.6	310
Int'l Paper	9,533	262	7,077	12.2	240
Champion Int'l	5,128	266	5,449	20.0	228
Franconia Timber L.P.[3]	0.2	236	1,642	45.7	183
Anderson-Tully[4]	58	326	4,503	53.6	103

[1]Investors' equity excluding book value of timber. [2]$10,000 less book value of other assets, then divided by number of acres. [3]Closed to new investors; calculations based on offering price and current balance sheet. [4]Most recent bid price: $92,000. NA: Not applicable.

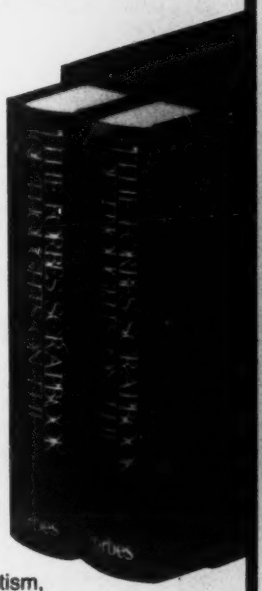
Champion International, for example, owns or controls 6.4 million acres of U.S. timberland and sells below book value. The market value of its common shares is $3.1 billion, while nontimber assets are $1.8 billion, net of liabilities. That means the timberland costs, in effect, $228 an acre. What those acres are really worth varies tremendously with tree quality, distance to mills and ease of harvesting, but prices range from $300 to $700 in the Southeast and $1,000 to $4,000 in the Pacific Northwest.

Two master limited partnerships, IP Timberlands and Rayonier Timberlands, look like purer plays, but the land ownership is an illusion. The general partners, controlled by International Paper and ITT Rayonier, promise to try to pay a dividend near 12% of original purchase price to public investors. But after 1999 and 2000, respectively, 96% of the yield from the land reverts to the parent corporation. A unit of one of these, therefore, isn't a timber investment so much as an annuity whose income stream is dependent on timber prices and good behavior by the general partner.

Pope Resources and Plum Creek Timber Co. are both partnership spinoffs of forest product companies that still look like operating companies. Almost half Pope's revenues come from real estate development and resort management. Plum Creek, once the timber component of Burlington Northern, has 338,000 acres in the Pacific Northwest and 1.1 million acres east of the Cascades. It also owns lumber, plywood, fiberboard and wood chip mills. Though the partnership is saddled with significant debt, investors are paying only $310 an acre for the timber, so Plum Creek could be treated as an undervalued forest product company.

If you want to own tree acreage outright, you can hire a manager to select it and deal with timber buyers. It helps to be wealthy. "People like to have something they can go out and touch and walk around on," says Jackson, Miss. forest manager James Vardaman, author of *How to Make Money Growing Trees*. "But it better be something they're figuring on owning for a long time, because the transaction costs are a hell of a lot bigger than they are with Charles Schwab." Another drawback: It's unlikely that a fire will wipe out Weyerhaeuser, but it could certainly happen to your 300 acres. ■

Read two at night, Wake inspired in the morning



The original volume of Forbes Scrapbook of Thoughts on the Business of Life was a bedside book, a traveling companion, an ideal birthday or holiday gift, even part of the new employee program at a firm of business consultants.

Now in a handsome blue cloth slipcase, the expanded two-volume edition of Forbes Scrapbook of Thoughts on the Business of Life is being offered to Forbes readers.

The result of patient culling month by month over a number of years, each volume contains some 3,500 polished gems of wisdom from the great authors of Greece and Rome down to our own day.

The pages are generously laid out on good quality paper, a pleasure to browse through and savor at random, a Thought or two at a time. Alternatively, a special index allows the pursuit of themes such as thoughts on Courage, Patriotism, Faith, Romance and Taxes.

The binding is blue cloth with matching slipcase. The lettering on the spine is imprinted in gold.

The price for the two volume set, $31.95, is a nice saving on the per volume price of $18.50. To order, simply fill out and mail the coupon below.

The original volume. 500 pages, approximately 3,500 Thoughts. Same binding as two-volume set. Only $18.50

Forbes DEPT. T., 60 FIFTH AVENUE, NEW YORK, NY 10011

☐ Send me the 2-volume boxed set of The Forbes Scrapbook of Thoughts on the Business of Life. My check for the special price of $31.95 enclosed.

☐ Send me the original one-volume collection. My check for $18.50 enclosed.

Send to _____
(please print)

Address _____

City _____ State _____ Zip _____

All prices include postage and handling charges. Please add appropriate sales tax on New York State orders and other states where applicable.

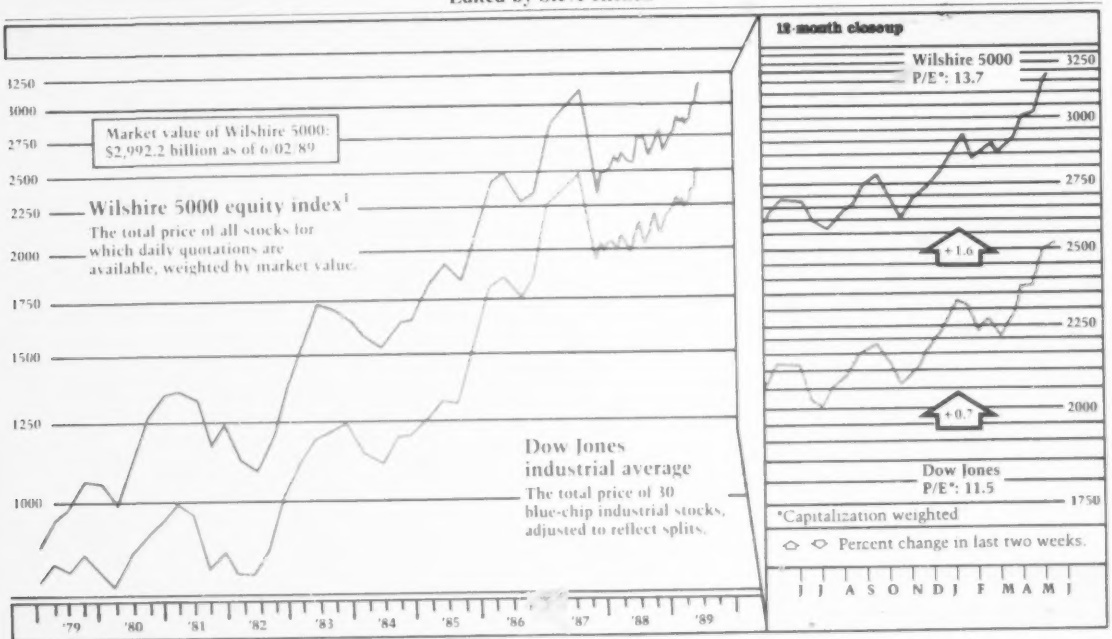
☐ Charge my credit card
☐ American Express
☐ MasterCard
☐ VISA

Credit Card Number _____

Expiration date _____

The Forbes/Wilshire 5000 Review

Edited by Steve Kichen


12-month closeup
Wilshire 5000
P/E*: 13.7
Market value of Wilshire 5000: $2,992.2 billion as of 6/02/89
Wilshire 5000 equity index[1]
The total price of all stocks for which daily quotations are available, weighted by market value.
Dow Jones industrial average
The total price of 30 blue-chip industrial stocks, adjusted to reflect splits.
Dow Jones
P/E*: 11.5
*Capitalization weighted
Percent change in last two weeks.
+1.6
+0.7
'79 '80 '81 '82 '83 '84 '85 '86 '87 '88 '89
J J A S O N D J F M A M J

Are we reliving the summer of 1987? A 136-point rise in the Dow industrials over the last four weeks brings this market bellwether to 2518, or within 7.5% of its August 1987 precrash high. The big difference, of course, is in earnings. The Dow is presently selling for 11.5 times its trailing 12-month earnings. Two years ago the multiple on the Dow was almost twice as high.

With hindsight, it seems the market was overpriced two years ago—but not necessarily by a factor of two. The 1987 Dow was to some degree correctly anticipating strong earnings gains over the next several years. Now the market, with its multiple much lower, seems to be saying that the rapid earnings gains are mostly behind us.

Before every major bull market of this century was over, secondary stocks have rallied. If the past is prologue, this bull market should continue at least until the over-the-counter stocks heat up. On a 52-week basis the Nasdaq (up 19.8%) still lags the Dow (up 21.6%).

Closeup On the Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[2]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	5.4	6.0	5.7	5.4	3.9	4.8
in last 52 weeks	21.2	20.7	21.6	20.7	19.8	19.8

Stock performance based on six key investor yardsticks[3]

Percent change	Company size		Volatility[4]		P/E multiple		Dividend yield		Growth profile[5]		Share price	
	large	small	high	low	over 21	under 8	over 4.5%	none	high	low	over $34	under $4
in last 4 weeks	5.3	4.1	3.2	3.7	4.2	4.0	3.7	4.4	3.9	4.3	3.8	3.6
in last 52 weeks	23.4	22.7	17.6	11.4	32.0	17.7	6.3	26.2	20.2	18.2	25.9	5.3

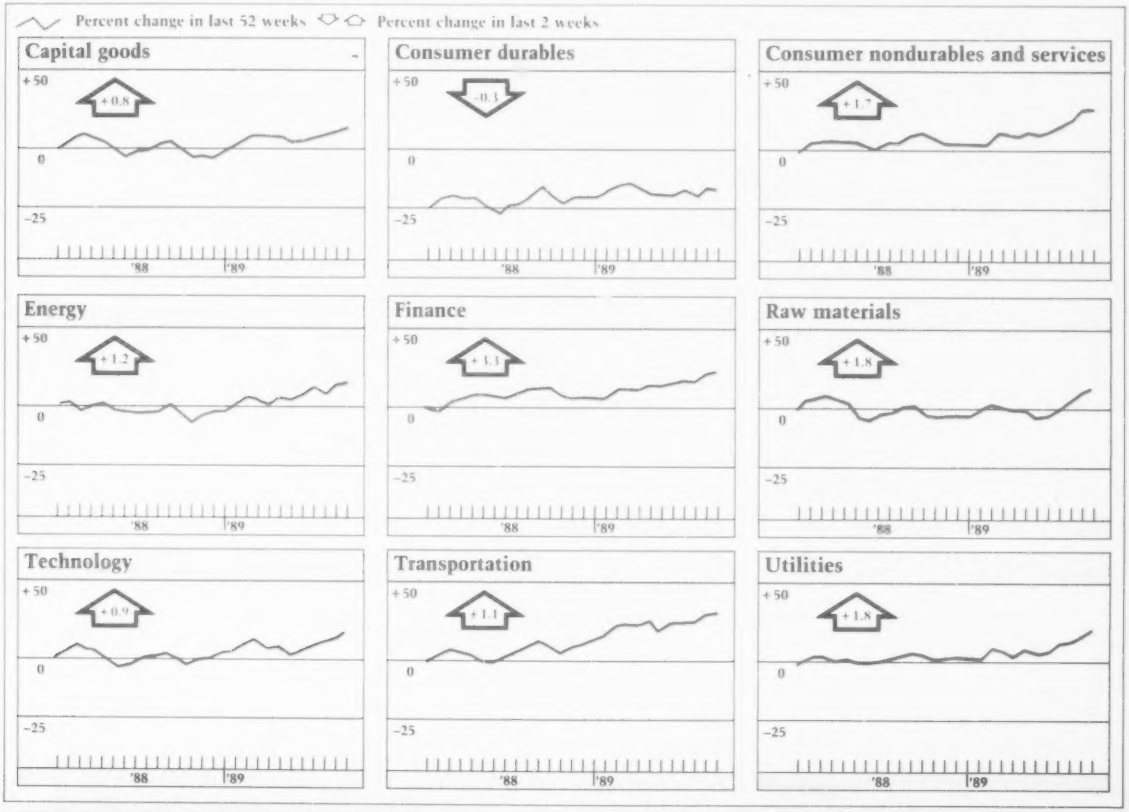
[1]Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created. [2]Based on sales. [3]Equal weighted indexes containing all shares with market capitalizations over $50 million. [4]A stock's sensitivity to overall market movement. High volatility issues have wide price fluctuations; low volatility issues are more stable. [5]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 6/02/89. Prepared by Wilshire Associates, Santa Monica, Calif.

Where the Action Is

Prime movers. As several major banks lowered their prime rate to 11%, stock prices in the finance sector rose 3.3%. NCNB, Bank of New York, Union Bank of San Francisco and Federal National Mortgage all gained better than 11% over the past two weeks.

Even though the technology sector was up only 0.9%, versus 1.6% for the Wilshire index, several technology stocks posted impressive gains. Compaq Computer rose 18.6% on news that it plans to expand its plant in Erskine, Scotland to help service growing foreign sales. Double-digit gains were made by Motorola and Stratus Computer. The only sector to post a loss was consumer durables, with GM, Chrysler, Echlin and Black & Decker falling most among the majors.



What the Analysts Think

Pumping cheer. Crude oil price rises have abated somewhat since their pace earlier this spring but not enough to dampen the rising expectations of Wall Street analysts who follow energy companies. In the past month 1989 forecasts were raised by more than 20% for Valero Energy, Crown Central Petroleum and Amerada Hess.

Forecasting the Forbes Sales 500

Performance period	Average earnings per share	P/E
latest 12 months	$3.36	13.1
1989 estimates	3.81	11.5
1990 estimates	4.18	10.6

Rank based on change in estimate	Sector	Estimated 1989 EPS	Estimated 1989 P/E	% change in 1989 estimate in 2 weeks	% change in 1989 estimate in 4 weeks
1	Energy	$3.35	11.8	0.77%	1.16%
2	Raw materials	3.45	9.6	0.33	0.14
3	Consumer durables	3.54	11.2	0.25	0.42
4	Capital goods	3.60	13.7	-0.07	-0.33
5	Utilities	3.03	11.7	-0.07	-0.20
6	Consumer nondurables	2.67	15.0	-0.17	-0.26
7	Technology	3.19	11.9	-0.67	-1.35
8	Transportation	2.81	11.2	-1.16	-0.62
9	Finance	3.55	9.6	-3.65	-4.40

Earnings projections are capitalization-weighted consensus estimates from over 3,000 security analysts. Data are compiled and updated continually by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 6/02/89. Prepared by Wilshire Associates, Santa Monica, Calif., IBES, a service of Lynch, Jones & Ryan, New York.